



# ARIZONA STATE RETIREMENT SYSTEM

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*Paul Matson*  
Director

## SUMMARY OF A PUBLIC MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM EXTERNAL AFFAIRS COMMITTEE

**HELD ON**  
**September 7, 2012**  
**10:00 a.m., Arizona Time**

The External Affairs Committee (EAC) of the Arizona State Retirement System (ASRS) met in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, AZ, 85012. Mr. Kevin McCarthy, Chair, called the meeting to order at 10:02 a.m., Arizona Time.

This meeting was teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona, 85710.

### **1. Call to Order; Roll Call; Opening Remarks**

Present: Mr. Kevin McCarthy, Chair  
Mr. Tom Manos (Via Teleconference)  
Mr. Brian McNeil

Absent: None

A quorum was present for the purpose of conducting business.

### **2. Approval of the Minutes of the September 7, 2012 EAC Meeting**

Mr. Kevin McCarthy accepted the minutes as presented.

### **3. Presentation, Discussion, and Appropriate Action Regarding the 2013 Legislative Initiatives**

Mr. Paul Matson, Director provided an overview of legislative initiatives, presenting new ideas for cost reduction and plan sustainability for the pension, health insurance, and Long Term Disability plans. Mr. Matson discussed areas surrounding risk mitigation, operational efficiencies and mitigation of abuse.

Mr. Matson introduced Mr. Patrick M. Klein, Assistant Director, External Affairs Division, and Ms. Lesli Sorensen, Government Relations Officer, who discussed legislative issues for 2013. The issues included:

- Administration – Federal Conforming Changes and Amortization Period
- Health Insurance – ASRS Self-insurance
- Long Term Disability – LTD Program Plan Design Changes
- Membership – Full-time Court Commissioner Membership Requirement

- Plan Design – PBI for New Members
- Survivor Benefits – Non-retired Survivor Benefits Redesign

Additional Items for Consideration:

- Public Records
- Actuarial Estimates for Benefit Increase Legislation
- Charter School Membership

Mr. Tom Manos departed the meeting at 11:00 a.m.

**4. Presentation, Discussion and Appropriate Action Regarding Repeal of Arizona Administrative Code R2-8-518; Purchasing Service Credit Partial Lump Sum Retirement Distribution**

Mr. Klein provided the Committee with a brief update on the repeal of Administrative Code R2-8-518. Mr. Klein said that in May, 2012, the Board authorized staff to move forward with the repeal process. Mr. Klein stated the ASRS performed due diligence of public notice, including posting at the Secretary of State's Office, solicited input from public members, and informed the Committee of a required public comment meeting, which took place on Tuesday, September 4, 2012. Mr. Klein said that no public members were in attendance. The next public comment meeting is scheduled for September 10, 2012.

**5. Presentation, Discussion and Appropriate Action Regarding a Potential Change to the Future Interest Accrual Rate Applied to Refunded Member Balances**

Mr. Matson presented the Committee with a recommendation to change the accrual rate for refunded member balances upon withdrawal. Mr. Matson recommended the refund accrual rate change from 4% to 2%, in order to reduce aggregate liabilities and more appropriately align with current interest rates while allowing members to leave their funds on account with the ASRS, for either a future pension benefit or future withdrawal.

**Motion:** Mr. Kevin McCarthy moved the External Affairs Committee forward to the ASRS Board a recommendation the Board approve lowering the interest accrual rate from 4% to 2% as applied to member balances for purposes of withdrawal.

Mr. Brian McNeil seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions and 1 excused, the motion was approved.

**6. Presentation, Discussion, and Appropriate Action Regarding Changing the Earnings Rate Used to Calculate Actuarial Present Value for Service Purchase**

Mr. Matson presented the Committee with a recommendation to decrease the earnings rate used to calculate the actuarial present value (APV) for service purchase from 8% to 6%. Mr. Matson explained how the change may benefit both the ASRS and its members by compensating the trust fund for the risks involved with accepting transfers in service and consequent liabilities.

**Motion:** Mr. Kevin McCarthy moved to forward to the ASRS Board a recommendation the Board approve lowering the earnings rate used to calculate the APV for service purchase from 8% to 6%.

Mr. Brian McNeil seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions and 1 excused, the motion was approved.

## **7. Call to the Public**

No members of the public requested to address the Committee.

Mr. McCarthy adjourned the meeting at 12:30 p.m.

Respectfully Submitted by,

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Kajuana Warren  
Committee Secretary

Date

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Patrick M. Klein  
Assistant Director, External Affairs Division

Date